



Sean Rogan
Executive Director

COMMUNITY DEVELOPMENT COMMISSION
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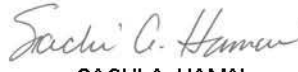
ADOPTED

Community Development Commission

January 18, 2011

#16 JANUARY 18, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012


SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

**APPROVE THE SUBMISSION OF A SECTION 108 LOAN GUARANTEE AND ECONOMIC
DEVELOPMENT INITIATIVE GRANT APPLICATION FOR THE FLORENCE PARKING LOT
PROJECT IN UNINCORPORATED FLORENCE FIRESTONE AREA
(DISTRICT 2) (3 VOTE)**

SUBJECT

This letter recommends approval of an application to the U.S. Department of Housing and Urban Development for a Section 108 Loan Guarantee of approximately \$1,000,000 and a companion Economic Development Initiative (EDI) grant of approximately \$1,000,000. These funds will provide financing for the Florence Parking Lot, an approximately 19,748 square foot surface parking facility to be located in the one-mile buffer zone of the federally designated Empowerment Zone in unincorporated Florence Firestone. This letter relates to an item on the agenda of the Board of Commissioners of the Community Development Commission to approve related documents for the project.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that these funding actions for the Florence Parking Lot project are exempt from the provisions of the California Environmental Quality Act (CEQA), as described herein, because the project includes activities that will not have the potential for causing a significant effect on the environment.
2. Approve the submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a Section 108 Loan Guarantee of approximately \$1,000,000 and a companion Economic Development Initiative (EDI) grant of approximately \$1,000,000, which will provide financing for the Florence Parking Lot, an approximately 19,748 square foot surface parking facility to be located on the corner of Florence Avenue and Maie Avenue in the one-mile buffer zone of the federally designated Empowerment Zone.

3. Designate the Community Development Commission (Commission) to act as the agent of the County for submission, execution, and implementation of the Section 108 Loan Guarantee and EDI grant application to HUD, and for any other HUD-required actions necessary to complete the application for the Florence Parking Lot project.

4. Approve the transfer of any Section 108 Loan Guarantee and EDI grant funds awarded by HUD to the Commission to provide financing for the Florence Parking Lot project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The proposed Section 108 Loan Guarantee and EDI grant funds will provide financing for real property acquisition and costs of development such as design, construction, and construction management of a new public parking facility on the corner of Florence Avenue and Maie Avenue. The site is a vacant, corner lot of approximately 19,748 square feet and zoned for commercial uses. The proposed parking lot will be designed for approximately 41 surface parking spaces along with landscaping, lighting and off-site improvements. The location of this vacant lot is ideal for a surface parking lot because it is one of a few lots available in the vicinity to provide parking for nearby uses such as the public library and older commercial buildings designed with no on-site parking. The proposed Florence Parking Lot will increase parking supply while assisting the community's efforts to promote pedestrian activity, an essential element to increase economic vitality to the Florence Firestone community.

FISCAL IMPACT/FINANCING

Following approval by HUD, the County will receive a total of \$2,000,000, comprised of approximately \$1,000,000 in Section 108 Loan Guarantee funds and \$1,000,000 in EDI grant funds. The loan will be drawn down using interim financing for the first year of the loan followed by permanent financing for the remaining loan term. Interim financing is subject to a variable interest rate of the London InterBank Offered Rate (3-month LIBOR rate), plus 20 basis points (0.20 percent), and requires quarterly interest payments. Permanent financing, which will provide a fixed market rate, is only available through HUD after it holds a public offering of notes. Once a public offering is conducted and permanent financing is available, the County will repay both principal and interest over a 20-year period using Community Development Block Grant (CDBG) funds allocated to the Second Supervisorial District. The estimated annual loan repayment under permanent financing is \$85,000 to \$95,000, based on a projected interest rate of 5.0%.

In order to secure the Section 108 Loan Guarantee, HUD is requiring that the County pledge future allocations of CDBG funds. As required by HUD, the Commission will identify and provide Commission-owned property as collateral.

Subject to the conditions of these HUD programs, including the repayment of the loan, the County must enter into an agreement with HUD for the receipt and use of these funds. The Section 108 Loan Guarantee and EDI Grant proceeds must be drawn down in equal amounts.

The Commission's approved Fiscal Year 2010-2011 budget includes \$1,000,000 in Section 108 Loan Guarantee funds and \$1,000,000 in EDI grant funds. Approximately half of those funds will be spent in FY 2010-2011 and the remaining balance will be included for approval through the Commission's FY 2011-2012 annual budget process.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Approval of this application by HUD will enable the County to receive a total of \$2,000,000 of federal assistance, to provide financing that will enable the acquisition and development of the Florence Parking Lot, an approximately 19,748 square foot public surface parking lot within the Empowerment Zone's one-mile buffer zone. The parking facility will be owned and developed by the Commission once the site is acquired. The project budget is currently estimated at \$2,000,000; the final budget will be determined upon completion of the procurement process for the construction of this new parking facility.

Under Section 108 of the Housing and Community Development Act of 1974, as amended, the County can apply to HUD for loan guarantees provided it pledges future CDBG allocations and provides collateral to secure the loan. The Section 108 Loan Guarantee Program makes funds available for eligible activities that benefit low-and moderate-income persons, or eliminate conditions of slum and blight.

Pursuant to 24 Code of Federal Regulations, Section 570.704, Paragraph (a)(2)(iii), the Commission published a notice in the Los Angeles Times, La Opinion, and the Huntington Park Bulletin newspapers advising residents of a 14-day public comment period and community meeting on the proposed Florence Parking Lot project. The comment period concluded on December 13, 2010, and no public comments were received. The Commission held the community meeting on December 13, 2010 at the Florence Firestone Community Service Center, located at 7807 S. Compton Ave., in unincorporated Florence Firestone. The community provided positive comments regarding the proposed parking facility; no objections were received on the proposed use of the HUD funds for the project.

ENVIRONMENTAL DOCUMENTATION

Pursuant to 24 Code of Federal Regulation, Part 58, Section 58.35 (a) (5), this project is excluded from the National Environmental Policy Act (NEPA), because it involves activities that will not alter existing environmental conditions. It is exempt from the provisions of CEQA, pursuant to State CEQA Guidelines 15301, because it involves negligible or no expansion of use beyond what currently exists and does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The project will benefit low-and moderate-income residents of the Florence Firestone community through the provision of a public parking facility in the Empowerment Zone.

The Honorable Board of Supervisors

1/18/2011

Page 4

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN

Executive Director

SR:rra

Enclosures

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY
OF LOS ANGELES

Draft Section 108 Loan
Guarantee Application
Florence Firestone
Parking Lot

December 2010

LOAN REQUEST

The Community Development Commission of the County of Los Angeles (CDC) on behalf of the County of Los Angeles (County), is requesting \$1,000,000 in Section 108 Loan Guarantee (B-94-UC-06-0505) funds and \$1,000,000 in Economic Development Initiative (EDI) Grant (B-95-EZ-06-0002) funds from the U.S. Department of Housing and Urban Development (HUD) to provide financing for property acquisition and development of a surface public parking lot within the buffer zone of the federally designated Los Angeles Empowerment Zone. The proposed Project is to be developed on a vacant site located on the southwest corner of Florence Avenue and Maie Avenue in the unincorporated Florence Firestone area of the County of Los Angeles (see Exhibit 1).

The CDC will repay the requested \$1,000,000 Section 108 Loan with Community Development Block Grant (CDBG) funds and will provide a first Deed of Trust on CDC-owned property as collateral to secure the Section 108 Loan. The Loan will be structured to use interim financing for up to one year. Within a year, the CDC will obtain permanent financing via HUD's public offering of notes and amortize the Loan over twenty years. The Loan will be matched by a \$1,000,000 EDI Grant to stimulate economic development in the Empowerment Zone through the provision of services to residents of the Empowerment Zone.

PROJECT BACKGROUND AND DESCRIPTION

History of Funds

In June of 1995, the County accepted a \$25,000,000 EDI Grant award and an associated \$25,000,000 award of Section 108 Loan Guarantee Program authority. The requested \$1,000,000 EDI and the companion \$1,000,000 Section 108 Loan funds are included in the original awards of \$25,000,000 each under EDI Grant Number B-95-EZ-06-0002 and Section 108 Loan Guarantee B-94-UC-06-0505.

Targeted Service Area

The unincorporated area of Florence Firestone is located within the one-mile buffer zone of the Los Angeles Empowerment Zone (EZ), a 3.6 square mile urban community with a population of approximately 63,252 of which approximately 77% are low and moderate-income persons. To better understand the demographics of Florence Firestone, listed below are data that describe the composition of its residents:

- 77% low- to moderate-income residents
- 34% are living below the federal poverty level based on 2008 Claritas Report
- 90% Hispanic residents

- 80.5% between the age of 0-45 years old and 42.2% between 0-19 years old
- 4.4% over 65 years of age

Florence Firestone community is comprised of a mix of residential, commercial and industrial uses that service the population. Dating back to 1960s, many buildings condition and appearance reflect the need for repair and reinvestment. Despite the visible signs of disrepair, the businesses are economically viable.

Many of the locally owned, small businesses are housed in older commercial buildings with limited on-site parking. While there are ongoing efforts to improve the attractiveness of the area for pedestrians, the parking shortfall needs to be addressed in order to attract customers and allow new users to occupy the existing structures. Moreover, the shortage of parking limits the existing businesses potential and the availability of goods and services to the Florence Firestone community. In order for this community to compete with newer commercial retail centers, efforts must be undertaken to address the parking shortfall.

The change from street parking to on-site parking requires larger lots for new development. Because the existing property ownership pattern is a series of small lots, the lack of large lots with adequate parking means new businesses cannot move in. One approach is to create shared parking lots, such as the proposed project, to mitigate disincentives for new development and businesses in Florence Firestone stemming from a shortage of parking.

Florence Parking Lot

The proposed parking lot site is located on the southwest corner of Florence Avenue and Maie Avenue. The site is a vacant, corner lot of approximately 19,748 square feet and zoned for commercial uses. The proposed parking lot will be designed for approximately 41 surface parking spaces along with landscaping, lighting and off-site improvements (see Exhibit 2). The design of this parking facility will complement the existing streetscape improvements recently completed in the community. The location of this vacant lot is ideal for a surface parking lot since it is one of a few lots available in the vicinity to provide parking for nearby uses such as the public library and older buildings designed with no on-site parking.

The proposed Florence Firestone Parking lot will increase parking supply while assisting the community's efforts to promote pedestrian activity, an essential element to increase economic vitality to the Florence Firestone community. A June 2009 parking study for the Florence Firestone community identified a short fall of 600 parking spaces in the area with limited opportunities to develop parking facilities. For this community, the shortage of parking translates to a barrier that precludes existing businesses to flourish to their full potential, and reduces the attractiveness of the area for new businesses to provide much needed goods and services to the community. In some cases, the shortage of parking is due to the design of older

buildings that lack on-site parking; however, the availability of additional parking supply may encourage business growth and business attraction.

SOURCES AND USES

The Sources and Uses table provides the estimated Project development costs and sources of financing. Section 108 Loan and EDI grant funds will be used for real property acquisition and construction activities. The CDC will utilize \$50,000 in CDBG funds and \$8,000 in economic development funds for expenses such as soils testing, environmental clearance, and acquisition and relocation consultants. To ensure compliance with HUD requirements, the CDC will implement its labor compliance monitoring procedures and consult with an acquisition/relocation consultant.

Sources of Financing	
Sec. 108 Loan	\$1,000,000
EDI Grant	\$1,000,000
CDBG	\$50,000
Community Development Commission funds	\$8,000
Total Financing	\$2,058,000
Uses	
Hard Costs	\$1,600,000
(property acquisition, construction contract, remediation, site clearance, contingency, etc.)	
Soft Costs	\$458,000
(A&E, environmental, soils testing, permits/fees, inspections, contract admin, consultants, financing costs, underwriting fees, etc.)	
Total Project Costs	\$2,058,000

PRE-AWARD COSTS

As part of this Section 108 Loan application and pursuant to Section 570.200(h), the CDC is also requesting authority to incur the following pre-award costs for reimbursement as soon as the Request for Release of Funds is approved by the HUD Los Angeles Field Office: design, construction soft costs such as architectural and engineering costs, soils testing, environmental remediation, permits and fees, inspections, contract administration, site clearance and preparation, including but not limited to demolition, removal of underground utilities, and removal and re-compaction of soils. The proposed parking lot has been included in the County's 2010-2011 One Year Action Plan as required and will comply with Section 570.200(h).

OTHER SOURCES OF FUNDS

Based on reduced State funding, the CDC has no other funding resources available to develop a new parking facility to address the community's parking needs identified in the June 2009 parking study. Moreover, the Florence Firestone community is not in a redevelopment project area and therefore, does not have access to tax increment as a source of funds for developments of this nature. The current market conditions provide a unique opportunity for the CDC to acquire and develop the proposed site. Without the requested HUD funds, the CDC would not be able to pursue this project.

REPAYMENT AND FINANCING TERMS

The CDC will use Community Development Block Grant (CDBG) funds to repay the Section 108 Loan. The Amortization Schedule for the proposed Section 108 Loan is provided as Exhibit 3. The \$1 million loan will be amortized over 20 years with annual payments ranging from \$85,500 to \$95,000 fully amortized using a blended interest rate of 5.0%. The projected interest rates are conservatively based on the most recent HUD public offering of notes plus .5%; thereby the rates commence at 1.06% and end at 4.98% in year 20. The CDC is the borrower for the HUD Section 108 Loan funds and will enter into a Section 108 Contract for Loan Guarantee Assistance with HUD. The Promissory Note and all related documents will be executed by the CDC in a form acceptable to HUD.

Interim Financing and Permanent Loan

The CDC anticipates drawing down the Section 108 Loan and the EDI grant funds concurrently under interim financing. Once permanent financing is available through HUD, the CDC intends to participate in the public offering of notes to obtain fixed interest rates for the term of the loan.

COLLATERAL

To assure the repayment of the Section 108 Loan, the CDC is required to pledge grants for which the County may become eligible under 24 CFR Section 570.500, which are primarily CDBG funds. As required by HUD, the CDC will provide collateral in the form of a first Deed of Trust on the proposed parking lot site and other CDC owned property:

Location: 1616 E. Florence Avenue, Los Angeles, CA 90001

Land Size: 19,748.50 square feet

Improvements: 41 surface parking lot, lighting and landscaping

Based on the updated MAI appraisal dated, August 2010, the total estimated fair market value is \$888,500 for the land. The property will be improved with a public surface parking lot to help address the parking shortage needs of the community. The CDC will provide a first Deed of Trust on additional CDC-owned property in order to collectively provide the required \$1,250,000 (125% of loan amount) required to secure a \$1 million Section 108 Loan. Reviewed appraisals will be completed to substantiate the fair market value of each property securing the Section 108 loan.

DEVELOPMENT SCHEDULE AND STAGES

The CDC completed a lengthy process to identify a willing seller of a site suitable for the development of a surface parking lot. Due to the time devoted in this stage of project development, the CDC has prepared a development schedule identifying key milestones to complete the project, including the required steps to apply for a Section 108 loan. Upon receiving HUD's approval of the Section 108 loan, the CDC will proceed with clearance and other site preparation activities. The CDC completed the environmental review process under National Environmental Policy Act (NEPA) and obtained environmental clearance under 24 Code of Federal Regulations (CFR) Part 58 in November 2010. The CDC will proceed with a design-bid-build methodology to complete the surface parking lot improvements. During HUD's review of the Section 108 loan application, the CDC will proceed with the following items:

- prepare project specifications to procure for a design contract
- procure for clearance and site preparation activities

Since December 31, 2010 is the deadline to withdraw and expend the EDI grant funds, the CDC is respectfully requesting an additional twelve (12) month time extension to withdraw and expend the EDI grant funds and companion Section 108 Loan funds by January 31, 2012. The additional time will allow the CDC to complete the public notice and community meeting requirements associated with the submittal of a Section 108 loan application. In addition, the time extension will allow the design, procurement and development of the real property improvements, and will enable the community to utilize this much needed parking lot. The CDC is available to answer any questions regarding our time extension request and the Project Development Schedule.

Estimated Development Schedule for Florence Firestone Parking Lot

Tasks	Estimated Completion Date
Section 108 Loan Application Requirements	
Community Meeting	December 2010
Board of Supervisors' Approval	January 2011

Submit Section 108 Loan Application to HUD	January 2011
HUD Approval of Section 108 Loan Application	April 2011
Property Acquisition	
Site Clearance	May 2011
Close Escrow	June 2011
Design & Construction	
Procure for design, & contracting	February 2011
Issue Notice to Proceed (NTP) on Design	April 2011
Obtain entitlements	June 2011
Procure for Construction Contract	July 2011
Award Construction Contract	September 2011
Complete Construction Contract	November 2011
Complete file review	December 2011
Parking Lot Completed –Available to public	January 2012

CITIZEN PARTICIPATION REQUIREMENTS AND PROJECT ELIGIBILITY

Citizen Participation

Prior to the submission of this Application, the County published a notice to provide the public with an opportunity to comment on the Section 108 Loan and EDI Grant Application to assist with the development of the proposed parking lot project. The notice was published in the Los Angeles Times, La Opinion, and the Huntington Park Bulletin newspapers advising residents of a 14-day public comment period and a community meeting on the proposed Florence Parking Lot project. The comment period concluded on December 13, 2010, and no public comments were received. In addition to the notice, a community meeting was convened on December 13, 2010 in the unincorporated area of Florence Firestone community to facilitate attendance by interested Empowerment Zone residents, and obtain the views of citizens about the proposed parking lot project. The community provided positive comments regarding the proposed parking facility; no objections were received on the proposed use of the HUD funds for the project.

Eligibility

The proposed parking lot project consists of acquiring real property and developing a public, surface parking lot. As previously described in this Application, the proposed parking lot will be a public parking facility to address the shortage of parking within the Florence Firestone Community. Under the Section 108 Loan Guarantee regulations, the eligibility citation for this Project is 24 CFR §570.703(1). Since EDI Grant funds will also be used, the Project is eligible under the terms and conditions of the EDI Grant Agreement, E-95-EZ-06-0002, as amended on May 18, 2004, as follows:

- Paragraph 2(c) (10) Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities . . . under 24 CFR §570.703(1).

As an economic development benefit, this Project will provide much needed parking for the community and local store patrons. Through the development of a new parking lot, it will also address a disincentive for existing businesses to expand and attraction of additional services to the Florence Firestone community due to parking constraints. The June 2009 Parking Study it recommends that a public parking lot be used as a catalyst project to augment future development of additional parking facilities for the community and local customers.

National Objective

The Project meets the National Objective of Activities Benefiting Low- and Moderate-Income Persons under 24 CFR Section 570.208(a)(1)(i), which requires a service area containing at least 51% low-and moderate-income persons. Based on the identified service area, there are approximately 63,252 persons of which 77% are low and moderate-income persons according to 2007 Census, thereby qualifying under the National Objective of Activities Benefiting Low- and Moderate-Income Persons.

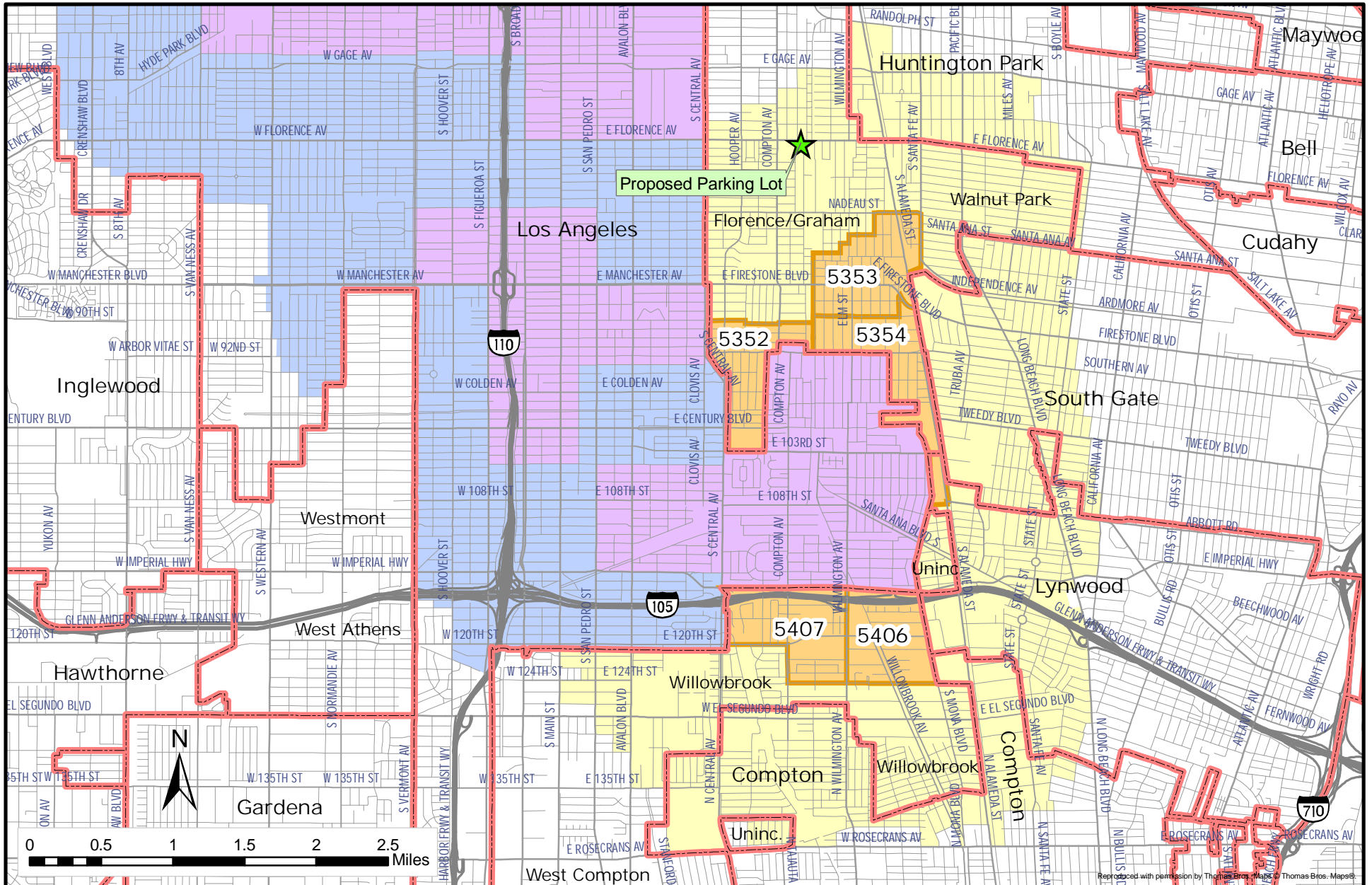
LOCAL CONTACTS

For further information concerning this Application, please contact:

Community Development Commission of the County of Los Angeles
Cordé Carrillo, Director
Economic/Redevelopment Division
(323) 890-7205
Corde.carrillo@lacdc.org

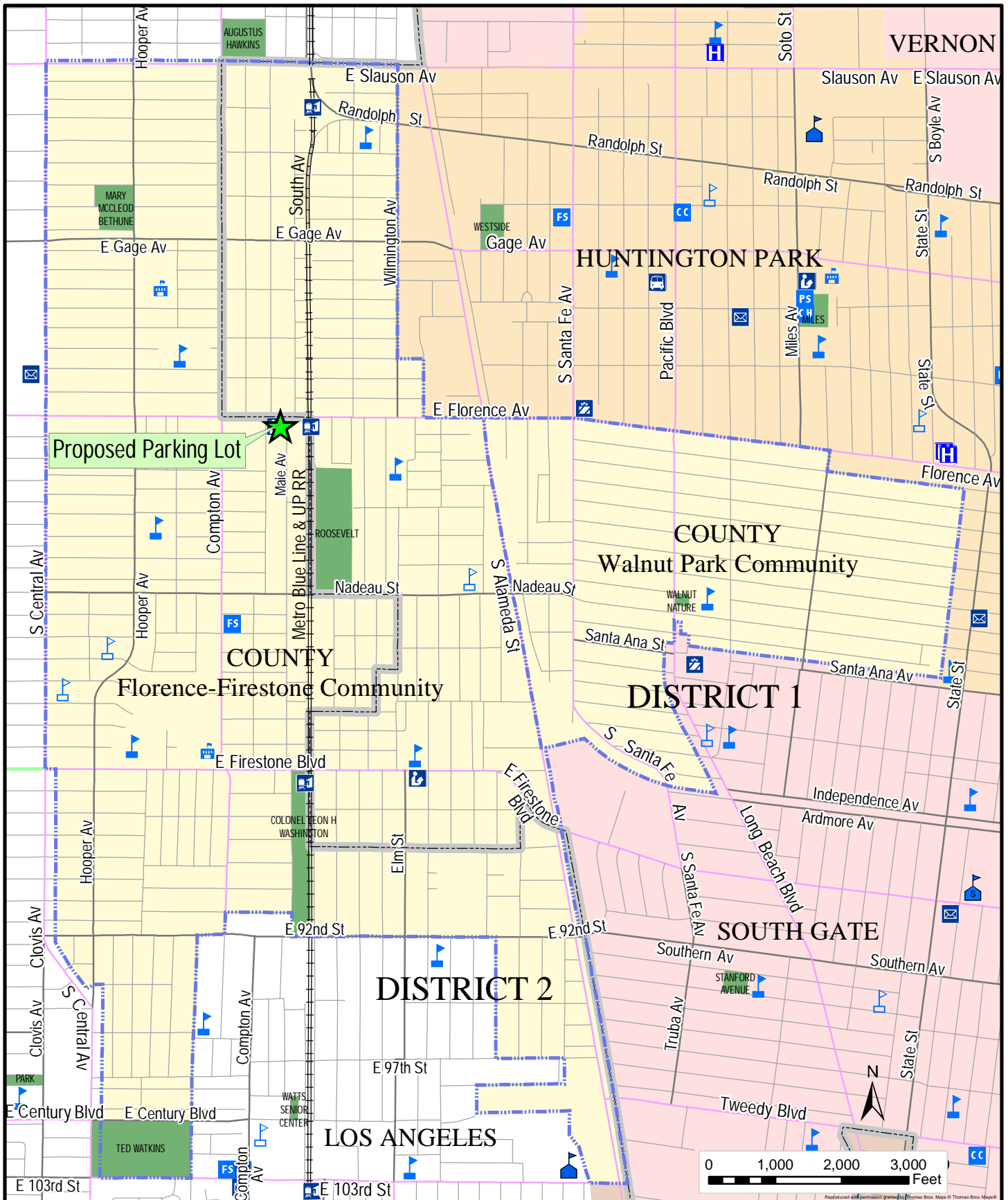
Community Development Commission of the County of Los Angeles
Rita Reyes-Acosta, Development Specialist
Economic/Redevelopment Division
(323) 890-7169
Rita.reyes-acosta@lacdc.org

Exhibit 1



Empowerment Zone Proposed Parking Lot Project

- | | | |
|--|---|--|
| County Target Zone (census tract) | City Boundary | Freeway |
| County "Buffer" Zone | | Ramp |
| City of L.A. Target Zone | | Highway |
| City of L.A. "Buffer" Zone | | Primary |
| | | Secondary |
| | | Local |
| | Unincorporated (Uninc.) | |



Community Development Commission
of the County of Los Angeles

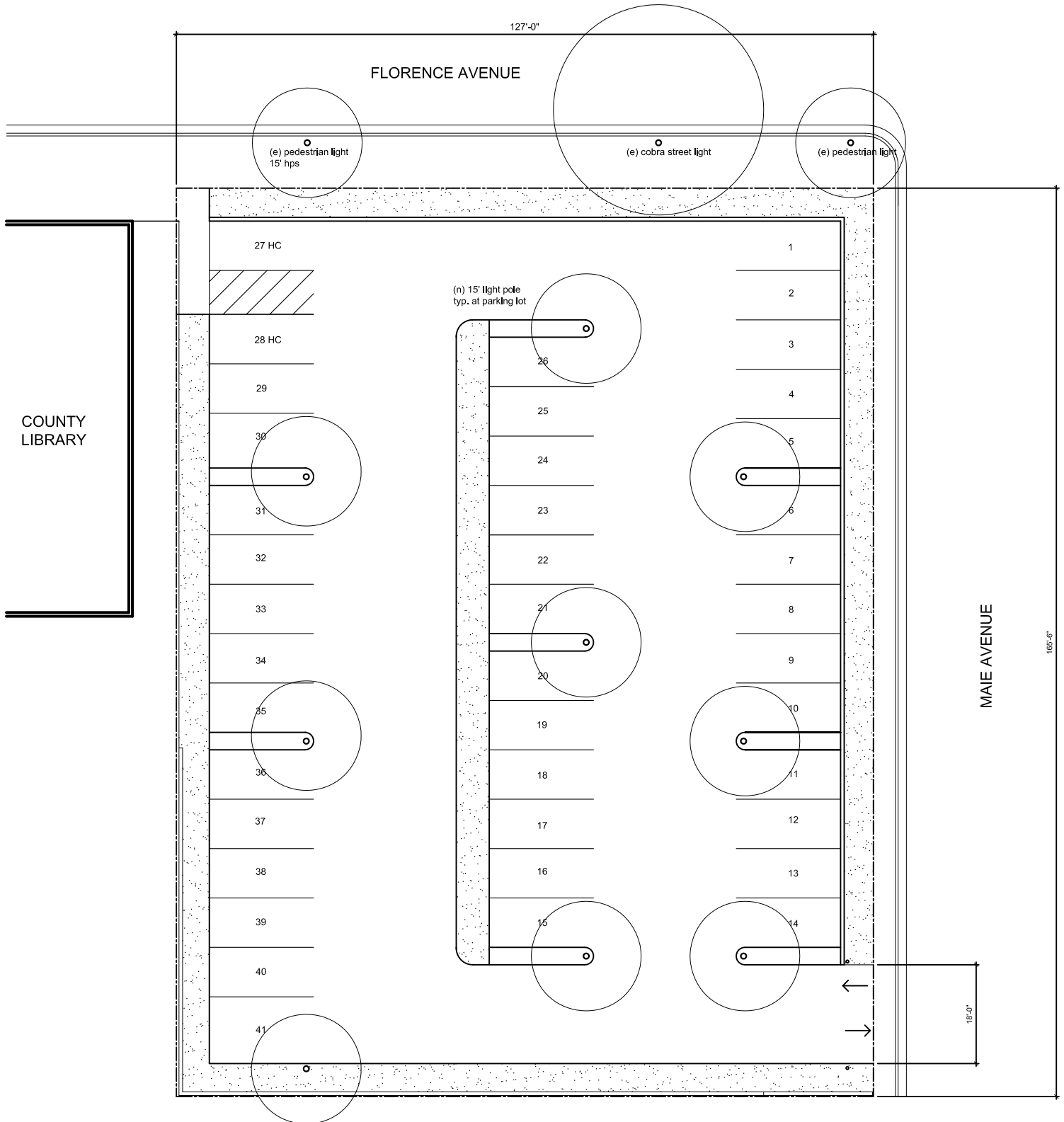
Florence-Firestone Community Proposed Parking Lot

- Supervisory District
- Community

- Police Station
- Chamber of Commerce
- City Hall
- Courthouse
- Fire Station
- Hospital
- Library
- Post Office
- Shopping Center (Community)
- Rapid Transit Station
- Bus Terminal
- School-Private Elementary
- School-Public Elementary
- School-Public Middle
- School-Public High
- School-Public Cont High

Exhibit 2

Exhibit 2 Proposed Florence Firestone Parking Lot



SITE PLAN -

SCALE: 1/10" = 1'-0"

RESIDENCE



Exhibit 3

Exhibit 3

				COUNTY OF LOS ANGELES			
		ESTIMATED AMORTIZATION SCHEDULE FOR \$1 MILLION SECTION 108 LOAN					
		FLORENCE FIRESTONE PROJECT					
YEAR	OPENING LOAN BALANCE	INTEREST RATE	INTEREST PAYMENT	PRINCIPAL PAYMENT	TOTAL PAYMENT	ENDING LOAN BALANCE	
1	\$ 1,000,000	5.0%	\$ 50,000	\$ 50,000	\$ 100,000	\$ 950,000	
2	950,000	5.0%	47,500	50,000	97,500	900,000	
3	900,000	5.0%	45,000	50,000	95,000	850,000	
4	850,000	5.0%	42,500	50,000	92,500	800,000	
5	800,000	5.0%	40,000	50,000	90,000	750,000	
6	750,000	5.0%	37,500	50,000	87,500	700,000	
7	700,000	5.0%	35,000	50,000	85,000	650,000	
8	650,000	5.0%	32,500	50,000	82,500	600,000	
9	600,000	5.0%	30,000	50,000	80,000	550,000	
10	550,000	5.0%	27,500	50,000	77,500	500,000	
11	500,000	5.0%	25,000	50,000	75,000	450,000	
12	450,000	5.0%	22,500	50,000	72,500	400,000	
13	400,000	5.0%	20,000	50,000	70,000	350,000	
14	350,000	5.0%	17,500	50,000	67,500	300,000	
15	300,000	5.0%	15,000	50,000	65,000	250,000	
16	250,000	5.0%	12,500	50,000	62,500	200,000	
17	200,000	5.0%	10,000	50,000	60,000	150,000	
18	150,000	5.0%	7,500	50,000	57,500	100,000	
19	100,000	5.0%	5,000	50,000	55,000	50,000	
20	50,000	5.0%	2,500	50,000	52,500	-	